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U.S. Role in Nicaragua Vote Disputed

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WASHINGTON, Oct. 20 — The Reagan Administration, while publicly criticizing the Nov. 4 elections in Nicaragua as "a sham," has privately argued against the participation of the leading opposition candidate for fear his involvement would legitimize the electoral process, according to some senior Administration officials.

Since May, when American policy toward the election was formed, the Administration has wanted the opposition candidate, Arturo José Cruz, either not to enter the race or, if he did, to withdraw before the election, claiming the conditions were unfair, the officials said.

"The Administration never contemplated letting Cruz stay in the race," one official said, "because then the Sandinistas could justifiably claim that the elections were legitimate, making it much harder for the United States to oppose the Nicaraguan Government."

Contention Is Denied

Other Administration officials vehemently denied this contention. L. Craig Johnstone, Deputy Assistant Secretary of State for Central America, said today, "Anyone who would allege that we don't favor full participation in the election doesn't know what he's talking about."

Mr. Johnstone said the Administration had used its influence with a variety of Nicaraguan groups, including rebels and conservative political leaders, to try to clear the way for the participation of Mr. Cruz.

Mr. Cruz said he had the impression that the Administration had supported his efforts to work out a political deal with the Sandinistas that would have included a postponement of the election to give him adequate time for campaigning.

Breakdown in Negotiations

Lengthy negotiations between the Nicaraguan Government and Mr. Cruz, its former Ambassador to the United States, broke down earlier this month, and Nicaraguan leaders have said that the elections will take place without him on Nov. 4.

"The Sandinistas, not the Reagan Administration, made a deal impossible," Mr. Cruz said. He said that discussions with the Sandinistas were continuing and a deal might still be worked out for his participation in a future election. "The one on Nov. 4 will be a farce," he said.

Several Administration officials who are familiar with the Administration's activities in Nicaragua said the Central Intelligence Agency had worked with

some of Mr. Cruz's supporters to insure that they would object to any potential agreement for his participation in the election.

An agency spokesman, George V. Lauder, declined to comment on the report.

Alliance of Businessmen

Specifically, the Administration officials said, an alliance of Nicaraguan businessmen called the Superior Council of Private Enterprise, also known by the Spanish acronym Cosep, was in frequent contact with the C.I.A. about the elections. They said Mr. Cruz was not aware of the C.I.A.'s role.

The business alliance is one of the major groups in the principal opposition coalition in Nicaragua, known as the Coordinadora. The coalition, which nominated Mr. Cruz to run for President, also includes three political parties and two labor unions.

The Administration officials said that the president of the alliance, Enrique Bolaños Geyer, and other leaders of the business organization met during the spring and summer with C.I.A. officials in Washington and San José, Costa Rica.

Mr. Bolaños said in an interview in Managua, Nicaragua, on Wednesday that he and the business federation "have nothing to do with the C.I.A."

Close Association

Intelligence officials said, however, that Mr. Bolaños and other Nicaraguan business leaders had had a close association with the agency since 1980, when the Carter Administration, impatient with Sandinista policies, initiated a program of covert aid to moderate business and political groups in Nicaragua.

In 1981 the Reagan Administration expanded that operation and began to provide aid to Nicaraguan rebel forces. President Reagan has accused Nicaragua of serving as a base for Soviet and Cuban efforts to undermine stability in the region and has reported that the Sandinistas have been the main supplier of arms and advice to guerrillas in El Salvador.

Members of the Coordinadora and American officials familiar with their deliberations said that objections by Mr. Bolaños and the business federation played a major role in preventing Mr. Cruz from reaching an agreement with the Sandinistas.

Earlier this month, after Mr. Cruz and a Sandinista leader, Bayardo Arce Castaño, came close to reaching an agreement during talks in Brazil, Mr. Bolaños initially said the terms were unacceptable, associates of Mr. Cruz said.

When confronted with the objections, the associates said, Mr. Cruz walked out of a Coordinadora meeting in Managua and threatened to quit as coalition leader.

Mr. Bolaños and the Coordinadora eventually approved the outlines of the deal made in Brazil, but by then the Sandinistas had rejected it, Mr. Cruz's associates said.

"In the end, the Administration didn't have to do that much to manipulate Cruz because the Sandinistas were their own worst enemy," one Administration official said.

Mr. Johnstone, rejecting the assertion that the Administration attempted to undermine Mr. Cruz, said that Mr. Bolaños was told by senior Administration officials during a visit to Washington that the United States supported Mr. Cruz's efforts to make a deal with the Sandinistas.

State Department officials said that the Administration also intervened with the Nicaraguan rebels earlier this year to persuade them to drop a demand that the Sandinistas open a dialogue with the insurgents before Mr. Cruz would run in the election.

Colombian Intermediary

In addition, they said, the Administration urged President Belisario Betancur of Colombia to act as an intermediary between Mr. Cruz and the Sandinistas to help arrange a deal.

"We did everything we could to support Cruz and get him into the election," Mr. Johnstone said.

The different accounts of the American role may, in part, be due to divisions within the Administration about how to deal with Nicaragua. The State Department, in general, has supported negotiations with the Sandinistas while the Defense Department and the Central Intelligence Agency, with support from some White House aides, have advocated a more confrontational approach.

The United States has covertly attempted to influence the outcome of foreign elections in the past. Earlier this year, the C.I.A. secretly gave \$1.4 million to two political parties in El Salvador in an effort to prevent the election of a right-wing candidate as President, according to intelligence officials and members of Congress.

The United States, usually through the C.I.A., has also funneled money to moderate political parties in Europe, Africa and Asia in hopes of promoting the election of pro-American candidates. During the 1950's the C.I.A. covertly gave millions of dollars to Italian political parties to prevent the election of Communist candidates, former intelligence officials have said.